

**STANNARD TOWNSHIP
BRUCE CROSSING, MI
ONTONAGON COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2006

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Stannard Township		County Ontonagon
Audit Date 3/31/2006	Opinion Date 8/16/2006	Date Accountant Report Submitted to State: 9/29/2006		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive		City Ironwood	State MI
Accountant Signature 		ZIP 49938	

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Roger J. Kolehmainen CPA PC
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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Stannard Township
Bruce Crossing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.


We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 16, 2006, on our consideration of Stannard Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 12, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stannard Township's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
August 16, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS STANNARD TOWNSHIP

Year ended March 31, 2006

Management's Discussion and Analysis

This section of the Stannard Township's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2006.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except fiduciary funds. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State and Federal revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS STANNARD TOWNSHIP

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the government fund balance sheets and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Fire Fund (considered major funds) and the Township's Special Revenue Funds (considered a non-major fund). The Township adopts an annual budget for the general fund and several Special Revenue Funds. To demonstrate compliance with their adopted budget, a comparison has been provided under the "Other Financial Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection and Pension Funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2006 and 2005.

		<u>March 31, 2006</u>	
	<u>Governmental</u>	<u>Business-Type</u>	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and	\$183,123	\$54,506	\$237,629
equivalents			
Other assets	31,192	30,128	61,320
Non-current Assets			
Restricted cash			
Capital Assets, net	311,169	91,369	402,538
TOTAL ASSETS	<u>\$525,484</u>	<u>\$176,003</u>	<u>\$701,487</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

	<u>March 31, 2006</u>		
	Governmental	Business-Type	
LIABILITIES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Liabilities	\$62,814	\$1,853	\$64,667
Non-current Liabilities	142,500		142,500
TOTAL LIABILITIES	205,314	1,853	207,167
NET ASSETS			
Investment in capital assets net of related debt	161,169	91,369	252,538
Restricted	6,449		6,449
Unrestricted	152,552	82,781	235,333
TOTAL NET ASSETS	320,170	174,150	494,320
TOTAL LIABILITIES AND NET ASSETS	\$525,484	\$176,003	\$701,487

For governmental activities, net assets increased by \$129,160 during the fiscal year. For business-type activities, net assets increased by \$18,133 during the year.

	<u>March 31, 2005</u>		
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$179,155	\$39,082	\$218,237
Other assets	22,046	19,633	41,679
Non-current Assets			
Restricted cash		20,000	20,000
Capital Assets, net		102,539	102,539
TOTAL ASSETS	\$201,201	\$181,254	\$382,455
LIABILITIES			
Current Liabilities	\$10,191	\$9,237	\$19,428
Non-current Liabilities		16,000	16,000
TOTAL LIABILITIES	10,191	25,237	35,428
NET ASSETS			
Investment in capital assets net of related debt		78,539	78,539
Restricted	26,498	20,000	46,498
Unrestricted	164,512	57,478	221,990
TOTAL NET ASSETS	191,010	156,017	347,027
TOTAL LIABILITIES AND NET ASSETS	\$201,201	\$181,254	\$382,455

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

Statement of Activities

The results of operations for Stannard Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for both governmental and business-type activities. The following is a condensed statement of activities for the years ended March 31, 2006 and 2005.

	Governmental <u>Activities</u>	<u>March 31, 2006</u> Business-Type <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenues:			
Charges for services	\$37,171	\$38,960	\$76,131
General Revenue:			
Property taxes	31,209		31,209
State and federal grants	169,765		169,765
Other	19,752	4,930	24,682
Total Revenue	<u>\$257,897</u>	<u>\$43,890</u>	<u>\$301,787</u>
EXPENSES:			
Program Expenses:			
Governmental activities	\$128,736		\$128,736
Business-type activities		\$25,757	25,757
Total Expenses	<u>\$128,736</u>	<u>\$25,757</u>	<u>\$154,493</u>
Increase (Decrease) in Net Assets	\$129,161	\$18,133	\$147,294
Net Assets, Beginning of Year	191,009	156,017	347,026
Net Assets, End of Year	<u>\$320,170</u>	<u>\$174,150</u>	<u>\$494,320</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

	Governmental Activities	<u>March 31, 2005</u> Business-Type Activities	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$26,330	\$40,297	\$66,627
Operating grants/contributions	75,672		75,672
General Revenue:			
Property taxes	31,179		31,179
State and federal grants			
Other	2,477	1,269	3,746
Transfers from other funds	648		648
Total Revenue	<u>\$136,306</u>	<u>\$41,566</u>	<u>\$177,872</u>
Program Expenses:			
Governmental activities	\$110,780		\$110,780
Business-type activities		\$24,959	24,959
Total Expenses	<u>\$110,780</u>	<u>\$24,959</u>	<u>\$135,739</u>
Increase (Decrease) in Net Assets	\$25,526	\$16,607	\$42,133
Net Assets, Beginning of Year	164,484	139,410	304,894
Net Assets, End of Year	<u>\$191,010</u>	<u>\$156,017</u>	<u>\$347,027</u>

Governmental Activities

Property taxes and other tax revenues comprise \$31,209 or approximately 12 percent of total governmental revenues, whereas, the Township received State and Federal Shared revenues of \$169,765 (66%).

The Township expended \$128,736 on governmental programs and services

MANAGEMENT'S DISCUSSION AND ANALYSIS STANNARD TOWNSHIP

Business-Type Activities

Business-type activities increased the Township's net assets by \$18,133. Charges for services for sewer activities for the year were \$38,960; interest income of \$1,159 and sewer assessments of \$3,771 were recognized as current year receipts. Operating expenditures and interest payments amounted to \$24,457 and \$1,300, respectively.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's general fund and fire fund balance sheet reported unreserved fund balances of \$123,910 and \$30,499 of which is available for spending at the government's discretion.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2006 were \$82,781.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2006 was \$402,538.

Major capital expenditures for governmental funds were for Township's infrastructure right of way improvements; purchase of fire truck and related fire equipment; and park and town hall improvements. There was no capital improvements noted in the Proprietary Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS STANNARD TOWNSHIP

The Township had \$150,000 of long-term liabilities at March 31, 2006. This amount consists of bond payable in the financing of a fire truck. The revenue bonds on the sewer fund were paid in full during the fiscal year.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Stannard Township
PO Box 216
Bruce Crossing, MI 49912

STANNARD TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2006

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$183,123	\$54,506	\$237,629
Accounts receivable-net	18,646	29,940	48,586
Delinquent taxes receivable	5,678		5,678
Due from other funds	256		256
Accrued interest income	413	65	478
Deferred charges	6,199	123	6,322
TOTAL CURRENT ASSETS	\$214,315	\$84,634	\$298,949
NON-CURRENT ASSETS			
Capital assets	313,276	442,846	756,122
Accumulated depreciation	(2,107)	(351,477)	(353,584)
TOTAL NON-CURRENT ASSETS	311,169	91,369	402,538
TOTAL ASSETS	\$525,484	\$176,003	\$701,487
LIABILITIES			
Current Liabilities:			
Accounts payable	\$50,660	\$1,304	\$51,964
Accrued wages/taxes	2,797	300	3,097
Accrued interest payable	1,857		1,857
Due to other funds		249	249
Current maturity on long-term debt	7,500		7,500
TOTAL CURRENT LIABILITIES	\$62,814	\$1,853	\$64,667
NON-CURRENT LIABILITIES			
Bonds payable	150,000		150,000
Current maturity on long-term debt	(7,500)		(7,500)
TOTAL NON-CURRENT LIABILITIES	142,500		142,500
TOTAL LIABILITIES	\$205,314	\$1,853	\$207,167
NET ASSETS			
Investment in capital assets, net of related debt	\$161,169	\$91,369	\$252,538
Reserve for road repairs	6,449		6,449
Unreserved	152,552	82,781	235,333
TOTAL NET ASSETS	\$320,170	\$174,150	\$494,320
TOTAL LIABILITIES AND NET ASSETS	\$525,484	\$176,003	\$701,487

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) <u>Revenue</u>
Governmental Activities			
General government	\$67,242	\$13,891	(\$53,351)
Public safety	29,352	5,715	(23,637)
Public works	9,149		(9,149)
Recreation and culture	8,768	6,435	(2,333)
Other	14,225	11,130	(3,095)
Total Governmental Activities	\$128,736	\$37,171	(\$91,565)
Business-type Activities			
Sewer	\$25,757	\$38,960	\$13,203
Total Business – type Activities	\$25,757	\$38,960	\$13,203
Total	\$154,493	\$76,131	(\$78,362)

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$91,565)	\$13,203	(\$78,362)
General Revenues:			
Property taxes	31,209		31,209
Federal shared revenues	99,646		99,646
State-Shared revenues	70,119		70,119
Investment income	2,879	1,159	4,038
Sewer assessments		3,771	3,771
Other	16,873		16,873
Total General Revenues and Transfers	\$220,726	\$4,930	\$225,656
Changes in Net Assets	\$129,161	\$18,133	\$147,294
Net Assets at Beginning of Year	191,009	156,017	347,026
Net Assets at End of Year	\$320,170	\$174,150	\$494,320

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$155,401	\$27,722	\$	\$183,123
Accounts receivable-net	18,646			18,646
Delinquent taxes receivable	3,707	1,971		5,678
Due from other funds	7	958		965
Accrued interest income	413			413
Deferred charges	6,199			6,199
TOTAL CURRENT ASSETS	\$184,373	\$30,651	\$	\$215,024
NON-CURRENT ASSETS				
Restricted cash				
TOTAL NON-CURRENT ASSETS				
TOTAL ASSETS	\$184,373	\$30,651	\$	\$215,024
LIABILITIES				
Current Liabilities				
Accounts payable	\$50,508	\$152	\$	\$50,660
Accrued wages/taxes	2,797			2,797
Due to other funds	709			709
TOTAL CURRENT LIABILITIES	\$54,014	\$152	\$	\$54,166
TOTAL LIABILITIES	\$54,014	\$152	\$	\$54,166
FUND BALANCES				
Reserve for road repairs	6,449			6,449
Unreserved	123,910	30,499		154,409
TOTAL FUND BALANCES	\$130,359	30,499	\$	\$160,858
TOTAL LIABILITIES AND FUND BALANCES	\$184,373	\$30,651	\$	\$215,024

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$16,538	\$14,068	\$	\$30,606
Other taxes	603			603
Tax administrative fees	11,900			11,900
Licenses and permits			3,555	3,555
Rentals	8,426			8,426
Federal shared revenues	11,130	99,646		110,776
State shared revenues	70,119		2,160	72,279
Donations	5,000			5,000
Interest	2,879			2,879
Sales of assets		2,614		2,614
Other revenue	9,259			9,259
	<u>\$135,854</u>	<u>\$116,328</u>	<u>\$5,715</u>	<u>\$257,897</u>
EXPENDITURES				
Legislative	\$26,098	\$	\$	\$26,098
General government	41,124			41,124
Public safety	15,792	6,580	4,989	27,361
Public works	9,149			9,149
Recreation and culture	8,672			8,672
Other	12,057			12,057
Capital outlay	47,506	265,770		313,276
Debt service	311			311
	<u>\$160,709</u>	<u>\$272,350</u>	<u>\$4,989</u>	<u>\$438,048</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(24,855)</u>	<u>(156,022)</u>	<u>726</u>	<u>(180,151)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from borrowing		150,000		150,000
Transfers to/from other funds	726		(726)	
	<u>(\$24,129)</u>	<u>(\$6,022)</u>	<u>\$</u>	<u>(\$30,151)</u>
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES				
Fund Balance at 3/31/2005	154,488	36,521		191,009
FUND BALANCE MARCH 31, 2006	<u>\$130,359</u>	<u>\$30,499</u>	<u>\$</u>	<u>\$160,858</u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND TYPES STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES

March 31, 2006

Continued

Total fund equity of governmental activities	\$160,858
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Additions:

Capital assets used in governmental activities are not
Financial resources and therefore are not reported as
assets in Governmental funds.

Cost of capital assets	313,276	
Accumulated depreciation	<u>(2,107)</u>	311,169

Reductions:

Long-term liabilities are not due and payable in the
current period and therefore not reported as liabilities in
the funds.

Note payable	(150,000)	
Accrued interest payable	<u>(1,857)</u>	<u>(151,857)</u>

Total Net Assets of Governmental Activities	<u>\$320,170</u>
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The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2006

	<u>Totals</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$54,506
Accounts receivable-net	29,940
Accrued interest income	65
Deferred charges	123
Total Current Assets	<u>\$84,634</u>
NONCURRENT ASSETS:	
Property, plant and equipment	442,846
Accumulated depreciation	<u>(351,477)</u>
Total Non-Current Assets	<u>91,369</u>
TOTAL ASSETS	<u>\$176,003</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$1,304
Accrued wages/taxes	300
Due to other funds	249
Total Current Liabilities	<u>\$1,853</u>
Total Liabilities	<u>\$1,853</u>
NET ASSETS:	
Investment in capital assets, net of related debt	91,369
Unreserved	82,781
TOTAL NET ASSETS	<u>\$174,150</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$176,003</u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2006

Business type Activities - Enterprise Fund

	<u>Total</u>
Operating revenues:	
Charges for services	\$38,960
Total Operating Revenues	<u>\$38,960</u>
Operating expenses:	
Wages and taxes	\$6,326
Purchase of services	3,000
Provision for depreciation	11,170
Operating supplies/maintenance	1,021
Utilities	2,353
Office supplies	217
Transportation	370
Total Operating Expenses	<u>\$24,457</u>
Operating income (loss)	<u>\$14,503</u>
Non-operating revenues (expenses)	
Interest income	1,159
Sewer assessment	3,771
Bond interest expense	(1,300)
Net Income (loss) before Transfers	<u>\$3,630</u>
Change in Net Assets	<u>\$18,133</u>
Net Assets - March 31, 2005	<u>156,017</u>
NET ASSETS - MARCH 31, 2006	<u><u>\$174,150</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPES
 STANNARD TOWNSHIP
 Year ended March 31, 2006

Business type Activities - Enterprise Fund	
	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$28,465
Payments to employees and suppliers for goods and services	(12,671)
Net Cash Provided (Used) by Operating Activities	15,794
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Sewer assessment	3,771
Revenue bond principal paid	(24,000)
Interest paid on bonds payable	(1,300)
Net Cash Provided (Used) for Capital and Related Financing Activities	(21,529)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	1,159
Net Cash Provided (Used) by Investing Activities	1,159
Net Increase (Decrease) in Cash	(4,576)
Cash and Cash Equivalents, March 31, 2005	59,082
CASH AND CASH EQUIVALENTS, March 31, 2006	<u>\$54,506</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$14,503
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation/amortization	11,170
Change in assets and liabilities:	
Accounts receivable	(10,495)
Accounts payable	1,066
Accrued wages/taxes	(150)
Accrued interest payable	(300)
Net Cash Provided by Operating Activities	<u>\$15,794</u>

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2006

Agency Funds			
	<u>Tax Fund</u>	<u>Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$7	\$20,146	\$20,153
Due from other funds			
TOTAL ASSETS	<u>\$7</u>	<u>\$20,146</u>	<u>\$20,153</u>
LIABILITIES			
Due to other funds	\$7		\$7
TOTAL LIABILITIES	<u>\$7</u>		<u>\$7</u>
NET ASSETS			
Held in trust for pension benefits		\$20,146	\$20,146
NET ASSETS		<u>\$20,146</u>	<u>\$20,146</u>
TOTAL ASSETS AND NET ASSETS	<u>\$7</u>	<u>\$20,146</u>	<u>\$20,153</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
Year ended March 31, 2006

		Agency Funds
<hr/>		
	ADDITIONS	
Contributions		\$144
Interest income		697
Total Additions		<u>\$841</u>
	DEDUCTIONS	
Benefits		
Changes in Net Assets		\$841
Net Assets at Beginning of Year		\$19,305
Net Assets at End of Year		<u>\$20,146</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Stannard Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements are the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if its the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Pension Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources to be used for the retirement benefit payments to retired board members.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and non-major funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
Special Revenue:	
2. Fire	Account for special tax levies and grant and loan proceeds in the purchase of fire equipment.
Enterprise	
3. Sewer	Account for revenues and expenses of providing public Sewer services.
<u>NON-MAJOR FUNDS</u>	
Special Revenue:	
4. Liquor Fund	Account for revenues and expenditures of liquor license enforcement activities.
5. Building Inspection Fund	Account for building inspection fees charged and related costs incurred.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end except for State Shared Revenues collected after sixty days which are earmarked for the period under audit. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note E for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, delinquent property and tax administrative fees. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received and refund on overpayment of debt service payment. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances for uncollectible accounts receivable are recognized since any delinquencies can be placed upon the tax roll.

Inventories

Inventories of Governmental Fund and Proprietary Fund types are considered to be immaterial and are not recognized. All purchases of supplies are expensed upon purchase.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$2,000 and \$500 for capital betterments and equipment additions. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Capital assets for proprietary funds are recognized on assets costing over \$250 and with a useful life of over three years. The Township, in adopting GASB 34, elects to recognize capital assets acquisitions as described above effective as of April 1, 2004. The Township otherwise has not maintained a listing of government fund assets on prior years acquisitions. Infrastructure improvements costing over \$5,000 are being capitalized effective April 1, 2004.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Land	Not depreciated
Buildings and improvements	50 Years
Utility Systems	40 Years
Equipment	7-10 Years
Vehicles	20 Years
Infrastructure (ROW)	20 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital outlay projects.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable to USDA Rural Development. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units, with the exception of fire department fund raising activities that are controlled by the fire department with no disclosure to the governing Township Board.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the accrual basis of accounting.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for all special revenue funds were available, except for the Fire Fund. Budgets were adopted for the Proprietary Fund type, but are not required.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on sewer bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes are revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

NOTE B – CASH AND INVESTMENT INFORMATION

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township.. They are recorded in the Township records at cost. Interest is recorded when the interest is accrued.

Following is a summary of the carrying amount of cash at March 31, 2006:

Cash deposited in banks insured by federal depository insurance	\$187,722
Funds in excess of insurance limits	161,184
Deposits in transit	10,182
Less outstanding items	(121,452)
Total	<u>\$237,636</u>

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

The Township's deposits are in accordance with statutory authority.

Pension Trust Fund investments of \$20,146 were invested in accordance with State of Michigan statutes. Market value at March 31, 2006, was equal to carrying value. The investments are not subject to categorization of credit risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$23,353	\$	\$23,353
Sewer Fund	\$29,940	\$	\$29,940
Fire Fund-SRF	\$1,971	\$	\$1,971

General Fund - generally consists of delinquent tax monies and administrative fees; and state shared revenues. The Fire Fund balance consists of delinquent tax monies.

Proprietary Funds - customer unpaid balances and refund (\$7,600) due to an overpayment of bond loan balance. Trade accounts receivable were comprised of the following at March 31, 2006.

Customer billing for the quarter ended March 2006	\$9,434
Delinquent billings and sewer assessments	12,906
Total	<u>\$22,340</u>

Proprietary Funds – customer unpaid balances. Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE D - SUMMARY OF 2005 TAX LEVY

Details of the Township's 2005 property tax levy are as follows:

	<u>Tax Levy</u>	<u>Delinquent Taxes</u>	<u>Net Collected</u>
County	\$272,684	\$43,421	\$229,263
School/SET	382,641	48,057	334,584
Township/ambulance	33,891	5,636	28,255
CFR	3,979	604	3,375
Delinquent utilities	6,413	5,021	1,392
Sewer Assessments	3,771	1,017	2,754
Totals	<u>\$703,379</u>	<u>\$103,756</u>	<u>\$599,623</u>

Taxable valuation - (excluding commercial forest
reserve lands):

Real property	\$14,770,978
Personal property	<u>1,896,800</u>
	<u>\$16,667,778</u>

Tax rate per \$1,000 valuation:

Township	\$ 2.0254
County	16.2961
Schools	<u>30.9550</u>
	<u>\$ 49.2765</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2006, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Tax Fund	\$7	General Fund	\$7
SRF-Fire Fund-		Sewer Fund-	
Sewer Fund	249	Fire Fund	249
General Fund	709	General Fund-	
		Fire Fund	709
Totals	<u>\$965</u>	Totals	<u>\$965</u>

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE F - LIQUOR LICENSE REBATES

Liquor license monies totaling \$2,160 were received during the year and were used to defray liquor law enforcement costs with the unexpended balance of monies transferred to the General Fund.

NOTE G – CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	Balance at <u>March 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2006</u>
Capital Assets being Depreciated				
Buildings and improvements		\$13,870		\$13,870
Vehicles		206,046		266,044
Fire equipment		59,998		59,998
Software		2,395		2,395
Infrastructure-roads		30,967		30,967
	\$	\$313,276	\$	\$313,276
Less Accumulated Depreciation		(2,107)		(2,107)
Net	\$	\$311,169	\$	\$311,169

NOTE H - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment follows:

Sewer Fund:				
Business-Type Activities	Balance at <u>March 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2006</u>
Capital Assets not Depreciated				
Land and land rights	\$2000	\$	\$	\$2,000
Capital Assets being Depreciated				
Utility plant	429,791			429,791
Equipment	11,055			11,055
Subtotals	\$440,846	\$	\$	\$440,846
Less Accumulated Depreciation	(340,307)	(11,170)		(351,477)
Net Capital Assets Being Depreciated	\$100,539	(\$11,170)		\$89,369
Net	\$102,539	(\$11,170)	\$	\$91,369

Depreciation is computed using the straight-line method.

Depreciation Expense 2005/2006 \$11,170

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE I - ACCOUNTS PAYABLE

The General Fund account payables included a road contractual commitment of \$30,967; contractual service agreements of \$6,100; software purchase commitment \$2,395; besides normal operating expenditures. The Proprietary Fund accounts payable were for normal operating and repairs and maintenance at year end.

NOTE J – LONG-TERM DEBT

A summary of the changes in long-term debt for the year ended March 31, 2006, is as follows:

	<u>Balance at March 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at March 31, 2006</u>
Notes payable	\$	\$150,000	\$	\$150,000
Revenue bond payable	24,000		24,000	
	<u>\$24,000</u>	<u>\$150,000</u>	<u>\$24,000</u>	<u>\$150,000</u>

Notes payable

On August 16, 2005, the Township issued \$150,000 in municipal bonds purchased by USDA Rural Development to finance the purchase of a fire truck. The bonds bear an interest rate of 4.125% and are being amortized over a 15-year period. The bonds are a general obligation of the Township and have pledged its limited tax full faith and credit in the repayment of the indebtedness. During the year ended March 31, 2006, the Township paid interest only on this loan. The first principal payment is due May 1, 2006. The principal repayment schedule is as follows:

Debt service charges until maturity are:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2007	\$7,500	2015	\$10,500
2008	\$7,500	2016	\$11,000
2009	\$8,000	2017	\$11,500
2010	\$8,000	2018	\$12,000
2011	\$8,500	2019	\$12,500
2012	\$9,000	2020	\$12,500
2013	\$9,500	2021	\$12,500
2014	\$9,500		

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Revenue Bonds – Sewer Fund

The Township issued Revenue Bonds in 1972 in the amount of \$201,000 at an interest rate of 5%, payable semi-annually on July 1 and January 1. The bonds are payable solely from the revenues of the sewer system. As of March 31, 2006, the bonds were paid in full.

NOTE K - FUND BALANCE DESIGNATIONS

Reservations of fund balances represent amounts that are legally segregated for a specific purpose. Designations of fund balance of \$6,449 represent monies restricted for future road repairs.

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides sewage services through an enterprise fund. Segment information as of March 31, 2006, follows:

	<u>Sewage System Fund</u>
Operating revenues	\$38,960
Total operating expenses less depreciation	\$13,287
Depreciation expense	\$11,170
Operating income(loss)	\$14,503
Operating transfers	
Non-operating income and expenses	\$3,630
Capital contributions	
Increase (decrease) in capital assets	
Long term debt	
Unrestricted net assets	\$82,781

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE M - DEFINED CONTRIBUTION PENSION

The Township established a money purchase pension plan effective July 1, 1991, recognized by the Internal Revenue Service, for elected officials. The plan is administered by Township Clerk and provides immediate coverage for individuals age 18 and above. The Township makes timely contributions equal to twelve percent of the officer's salaries, which allows for immediately vesting. Loans are not permitted to the participants. The Township Supervisor and Clerk are authorized Trustees of the plan. Total pension expense and administrative fees (cash basis) were \$144 for the fiscal year ending March 31, 2006, whereas, the \$20,146 represents fair market value at year end. Additional information was not available for disclosure as required by GASB Statement No, 25.

NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2006, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED
SUPPLEMENTAL
INFORMATION

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
Year ended March 31, 2006

Budgeted Amounts

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$18,500	\$18,500	\$16,538	(\$1,962)
Other taxes	6,220	6,220	603	(5,617)
Tax administrative fees	9,000	9,000	11,900	2,900
Federal shared revenues	10,500	10,500	11,130	630
State shared revenues	59,000	59,000	70,119	11,119
Rentals	6,200	6,200	8,426	2,226
Interest	1,250	1,250	2,879	1,629
Donations			5,000	5,000
Other revenue	7,075	7,075	9,259	2,184
	<u>\$117,745</u>	<u>\$117,745</u>	<u>\$135,854</u>	<u>\$18,109</u>
EXPENDITURES				
Legislative	\$18,100	\$18,100	\$26,098	(\$7,998)
General government	43,050	43,050	41,124	1,926
Public safety	14,700	14,700	15,792	(1,092)
Public works	6,500	6,500	9,149	(2,649)
Recreation and culture	12,400	12,400	8,672	3,728
Other	20,000	20,000	12,057	7,943
Capital outlay	15,000	15,000	47,506	(32,506)
Debt service			311	(311)
	<u>\$129,750</u>	<u>\$129,750</u>	<u>\$160,709</u>	<u>(\$30,959)</u>
EXCESS OF REVENUES (EXPENDITURES)	(12,005)	(12,005)	(24,855)	(12,850)
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	2,100	2,100	726	(1,374)
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(\$9,905)	(\$9,905)	(\$24,129)	(\$14,224)
Fund Balance at 3/31/2005	154,488	154,488	154,488	
FUND BALANCE MARCH 31, 2006	\$144,583	\$144,583	\$130,359	(\$14,224)

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

BUDGET AND ACTUAL
For the Year ended March 31, 2006

Revenues	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Taxes:				
Current property taxes	\$18,500	\$18,500	\$16,538	(\$1,962)
Delinquent property taxes	6,000	6,000	330	(5,670)
Commercial forest reserve	200	200	253	53
Swamp taxes	20	20	20	
Tax administrative fees	9,000	9,000	11,900	2,900
Total taxes	33,720	33,720	29,041	(4,679)
Federal shared revenues	10,500	10,500	11,130	630
State shared revenues	59,000	59,000	70,119	11,119
Rent	6,200	6,200	8,426	2,226
Reimbursements	75	75		(75)
Miscellaneous	7,000	7,000	9,259	2,259
Donations			5,000	5,000
Interest income	1,250	1,250	2,879	1,629
	14,525	14,525	25,564	11,039
TOTAL REVENUES	117,745	117,745	135,854	18,109
Other financing sources-Transfer from other funds	2,100	2,100	960	(1,140)
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$119,845	\$119,845	\$136,814	\$16,969

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Trustees Wages			\$2,400	
Pension			2,520	
Office supplies			202	
Professional fees			7,439	
Transportation			70	
Printing and publishing			541	
Insurance			11,777	
Memberships			461	
Training			210	
Miscellaneous			478	
TOTAL LEGISLATIVE	\$18,100	\$18,100	\$26,098	(\$7,998)
GENERAL GOVERNMENT				
TOTAL SUPERVISOR	4,350	4,350	4,200	150
Election:				
Wages			273	
Office supplies			61	
Transportation			44	
TOTAL ELECTION			378	(378)
Assessor:				
Wages			6,000	
Transportation			107	
Printing & publishing			2,998	
TOTAL ASSESSOR	10,150	10,150	9,105	1,045
Clerk:				
Salary			6,600	
Supplies			335	
Professional fees			3,500	
TOTAL CLERK	9,900	9,900	10,435	(535)

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Board of Review:				
Salaries			100	
Miscellaneous			251	
BOARD OF REVIEW	330	330	351	(21)
Treasurer:				
Salary			6,600	
Deputy treasurer			650	
Office supplies			1,734	
Transportation			44	
Miscellaneous			435	
TOTAL TREASURER	9,500	9,500	9,463	37
Township Properties:				
Wages			413	
Supplies			30	
Communications			848	
Utilities			1,977	
Repair & maintenance			1,969	
TOTAL TOWNSHIP PROPERTIES	4,620	4,620	5,237	(617)
Cemetery:				
Contractual costs			1,508	
Repairs & maintenance			317	
Miscellaneous			130	
TOTAL CEMETERY	4,200	4,200	1,955	2,245
TOTAL GENERAL GOVERNMENT	\$43,050	\$43,050	\$41,124	\$1,926

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PUBLIC SAFETY				
Fire Department:				
Wages			5,425	
Supplies			1,042	
Insurance			2,225	
Repairs and maintenance			2,811	
Public utilities			3,054	
Training			805	
Miscellaneous			305	
TOTAL FIRE DEPARTMENT	14,550	14,550	15,667	(1,117)
ZONING BOARD	150	150	125	25
TOTAL PUBLIC SAFETY	\$14,700	\$14,700	\$15,792	(\$1,092)
PUBLIC WORKS				
Highways and streets			2,263	(5,143)
Street lighting	6,500	6,500	5,961	6,519
Solid waste			925	
TOTAL PUBLIC WORKS	\$6,500	\$6,500	\$9,149	(\$2,649)
RECREATION AND CULTURE				
Parks:				
Wages			2,734	
Public utilities			1,587	
Repairs & maintenance			3,238	
Miscellaneous			1,113	
TOTAL RECREATION AND CULTURE	\$12,400	\$12,400	\$8,672	\$3,728

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TOTAL OTHER	\$20,000	20,000	\$12,057	\$7,943
CAPITAL OUTLAY				
Road construction	15,000	15,000	30,967	(15,967)
Software			2,395	(2,395)
Township property			2,669	(2,669)
Parks & recreation			11,475	(11,475)
TOTAL CAPITAL OUTLAY	\$15,000	\$15,000	\$47,506	(\$32,506)
DEBT SERVICE				
Principal				
Interest and fees			311	(311)
TOTAL DEBT SERVICE			\$311	(\$311)
TOTAL EXPENDITURES	\$129,750	\$129,750	\$160,709	(\$30,959)
TRANSFERS TO OTHER FUNDS	\$	\$	\$234	(\$234)

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
MAJOR FUND
FIRE FUND

Year ended March 31, 2006
Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Property taxes	\$	\$	\$14,068	\$14,068
Federal shared revenues			99,646	99,646
Sale of assets			2,614	2,614
	\$	\$	\$116,328	\$116,328
Expenditures:				
Public safety equipment	\$	\$	\$266,044	(\$266,044)
Professional fees			6,040	(6,040)
Miscellaneous			266	(266)
	\$	\$	\$272,350	(\$272,350)
Excess of Revenues over (under) Expenditures			(156,022)	(156,022)
Other Financing Sources (Uses):				
Proceeds from borrowing			150,000	150,000
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses			(6,022)	(6,022)
Fund Balance 3/31/2005	36,521	36,521	36,521	
FUND BALANCE 3/31/2006	\$36,521	\$36,521	\$30,499	(\$6,022)

The accompanying notes are an integral part of the financial statements

COMBINING BALANCE SHEET – GOVERNMENTAL FUNDS
NON-MAJOR FUNDS
STANNARD TOWNSHIP

March 31, 2006
Special Revenue Funds

	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Totals</u>
Assets			
Cash in bank	\$	\$	\$
Due from other funds			
Delinquent tax receivable			
Total Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities			
Accounts payable	\$	\$	\$
Due to other funds			
Total Liabilities			
Equity			
Fund balance-unreserved			
Total Equity & Liabilities	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
NON-MAJOR FUNDS
STANNARD TOWNSHIP

Year ended March 31, 2006

Special Revenue Funds

	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Total</u>
Revenues:			
State shared revenues	\$2,160		\$2,160
Charges for services		\$3,555	3,555
Total revenues	<u>\$2,160</u>	<u>\$3,555</u>	<u>\$5,715</u>
Expenditures:			
Inspection costs		\$3,789	\$3,789
Liquor investigations	\$1,200		1,200
Total expenditures	<u>\$1,200</u>	<u>\$3,789</u>	<u>\$4,989</u>
Excess of revenues over (under) expenditures	\$960	(\$234)	\$726
Other Financing Sources (Uses):			
Operating transfers in		234	234
Operating transfers (out)	(960)		(960)
Excess of Revenues and Other Sources over (under) expenditures and other uses			
Fund Balance 3/31/2005	\$	\$	\$
Fund Balance 3/31/2006	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
LIQUOR FUND

Year ended March 31, 2006

Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
State Shared Revenues	\$1,800	\$1,800	\$2,160	\$360
Interest income				
	1,800	1,800	2,160	360
Expenditures:				
Enforcement costs	\$1,100	\$1,100	1,200	(100)
	1,100	1,100	1,200	(100)
Excess of Revenues over (under) Expenditures	700	700	960	260
Other Financing Sources (Uses):				
Operating transfers out	(700)	(700)	(960)	(260)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses				
Fund Balance 3/31/2005	\$	\$	\$	\$
FUND BALANCE 3/31/2006	\$	\$	\$	\$

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUILDING INSPECTION FUND

Year ended March 31, 2006

Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues:				
Permit fees	\$4,000	\$4,000	\$3,555	(\$445)
Interest income				
	4,000	4,000	3,555	(445)
Expenditures:				
Enforcement costs	\$2,600	\$2,600	\$3,789	(\$1,189)
	2,600	2,600	3,789	(1,189)
Excess of Revenues over (under) Expenditures	1,400	1,400	(234)	(1,634)
Other Financing Sources (Uses):				
Operating transfers in (out)	(1,400)	(1,400)	234	1,634
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses				
Fund Balance 3/31/2005	\$	\$	\$	\$
FUND BALANCE 3/31/2006	\$	\$	\$	\$

The accompanying notes are an integral part of the financial statements

Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Stannard Township
Bruce Crossing, MI

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2006, which collectively comprise the Stannard Township's basic financial statements and have issued our report thereon dated August 16, 2006. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stannard Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Stannard Township for the year ended March 31, 2006, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Stannard Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of

internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of government capital assets to assure existence, condition and valuation for control and/or insurance coverage. The Township lacks knowledge as to all of its actual holdings.

Township needs to establish an accurate capital fixed assets ledger in assuring proper valuation is assigned and are adequately insured against various types of losses. The Township has increased its insurance coverage on various real and personal property with assistance from its insurance carrier. A complete listing of all assets holdings is still unavailable.

2. The Township's Clerk needs to reconcile the various cash accounts in posting the general ledgers accounts of the General and Sewer Funds. Numerous differences were noted which required corrections

The Clerk and Treasurer will need to coordinate the sharing of bank statements and cash receipts in reconciling their cash balances. Any discrepancies noted should be resolved in a timely manner. Furthermore, the Sewer Fund should utilize a separate checking account.

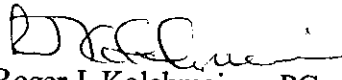
3. The Township's Fire Department fund raising activities pursued in the Township's name and other bank accounts will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.

4. The Township Board understated the beginning Fund Balances in preparing their General Fund budget. This information may have influence the Board, as well as, the general public in determining funding priorities. Furthermore, no budgets were adopted for the Fire Fund as required. Finally, our review noted various cost overruns in various cost centers which would have required the Board to amend their operating budget. Michigan Public Act 621 of 1978 provides specific guidance in preparing budgets and budget amendments to avoid non-compliance.

A material weakness is a reportable condition in which the design or operation of one of more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We consider item 1 to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

August 16, 2006


Roger J. Kolehmainen PC
Certified Public Accountant